

Albania CEO Survey: 3rd Edition

*as part of the
23rd Annual Global CEO Survey*

Navigating the rising tide of uncertainty



Foreword



Loreta Peci

Country Managing Partner
Albania & Kosovo

As part of the 23rd Annual Global CEO Survey, PwC Albania organized for the third year the CEO Survey with the participation of the local and international business leaders whose companies operate in Albania.

We are thrilled to note the CEO Survey has become now a tradition and an expected event for Albania's Business Agenda reflected also by the participation rate doubling again this year compared to previous years

During meetings and discussions, we had with business leaders in Albania while conducting the survey the following remarks and trends prevailed on predicting 2020 business environment:

- **55%** Albanian CEOs appear to be more focused on the internal opportunities as key growth drivers, focusing on operational efficiencies, organic growth and launch of new products and services.
- **71%** of executives plan on increasing the headcount in their organisation.
- **67%** of Albanian CEOs are planning to increase revenues through *organic growth*.
- **2 out of 3** business leaders consider *Tax uncertainty* to be a threat to their organisations' growth.
- *Clear vision* on how to *create value* is the main driver of strategic goals for **38%** of Albanian CEOs.
- Currently, the biggest challenge Albanian CEOs with regards to upskilling the retention of upskilled employees.
- The future of the internet is uncertain in the eyes of Albanian executives with **58%** expecting governments to force the private sector to regulate content.

Therefore, I invite you to read this report and make best use of it as a source of inspiration when putting into life your strategies, vision and objectives of your business.

Contents



Uncertainty Undermines Outlook

04



Setting Up Guard Rails in Cyberspace

11



Upskilling: No Longer the Question

17



Climate Change: An Opportunity Cloaked in Crisis

21

1

Uncertainty Undermines Outlook



This year's survey results reveal a concerning picture – global CEOs are more cautious than ever.

In global terms, this year's survey results reveal a concerning picture – global CEOs are more cautious than ever. More than half of the CEOs believe that economic growth will decline over the next 12 months, a figure which is up from **29%** of last year. A steady decrease in optimism is observed over the last three years, from the record high of 2018. (see Figure 1)

CEE business leaders are slightly more positive than their global counterparts with only around **43%** reporting expected declines in growth.

Our results show that the **Albanian CEOs** seem to be more optimistic about global economy prospective growth. As many as **55%** of Albanian CEOs believe that global economic growth will improve, unveiling a different business sentiment influenced primarily by their local and regional market operations.

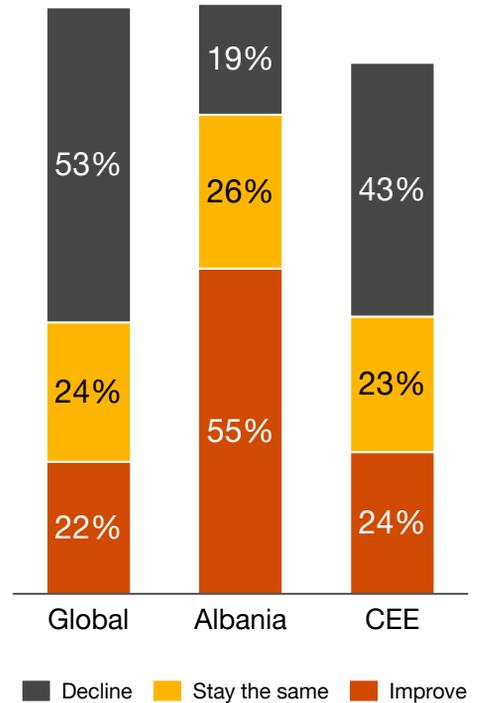


Exhibit 1

Global business leaders are gloomy on the world's economic prospect for 2020, but confidence remains in Albanian CEOs perspective.

Do you believe global economic growth will improve, stay the same, or decline over the next 12 months?

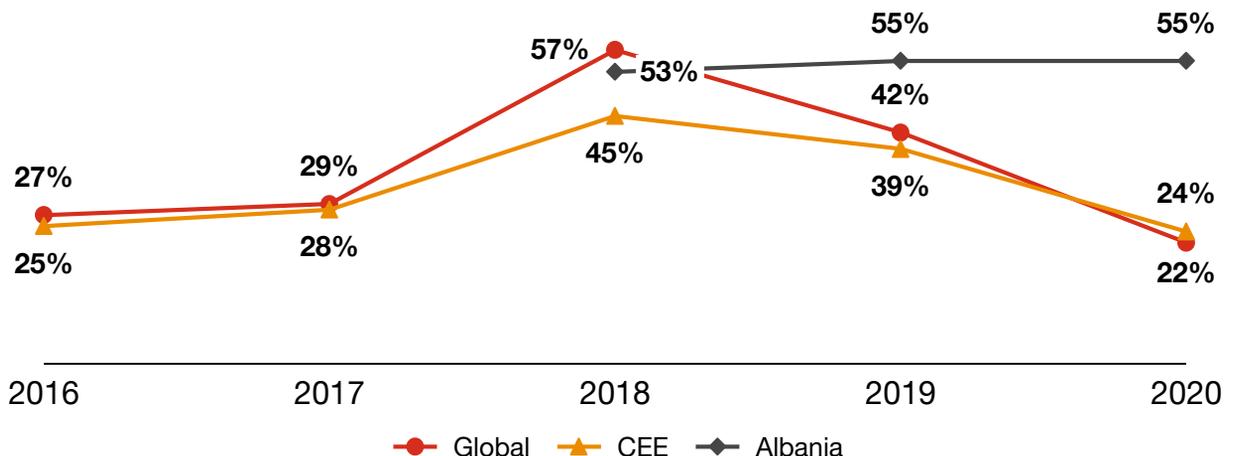
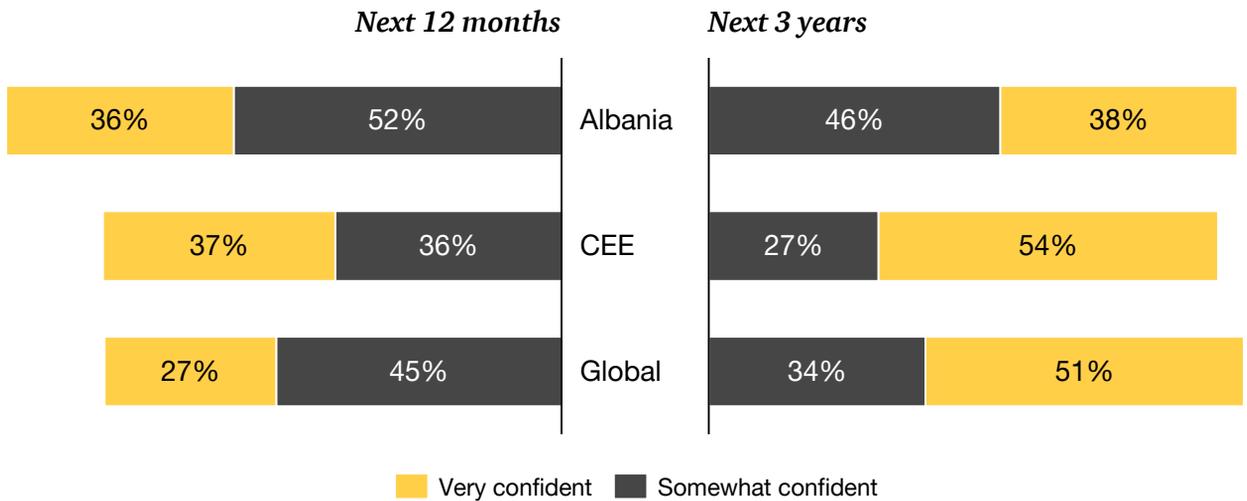


Exhibit 2

Prosperity in horizon. Our business leaders are more confident about short term rather than long term revenue growth prospects.

How confident are you about your organization's prospects for revenue growth over the next 12 months–3 years?



Global and CEE CEOs scepticism about growth in the global economy is reflected in their own company's growth prospects in the short term with respectively only **27%** and **37%** being 'Very Confident' for growth in the next 12 months. Nevertheless, the future seems to be brighter according to CEOs as over half of the respondents are confident in growth prospects in the long term. (see Figure 2)

The wide spread pattern of pessimism was reflected in **Albania**, too, this year, where only **36%** of CEOs indicated that they were "Very Confident" for short term growth, down from 42% last year. Long term, Albanian business leaders are even less positive with overall growth prospects dropping by 4%.



Exhibit 3

For revenues growth, Albanian leaders same as regional and global peers, will mostly rely on organic growth, novel products and improved efficiencies.

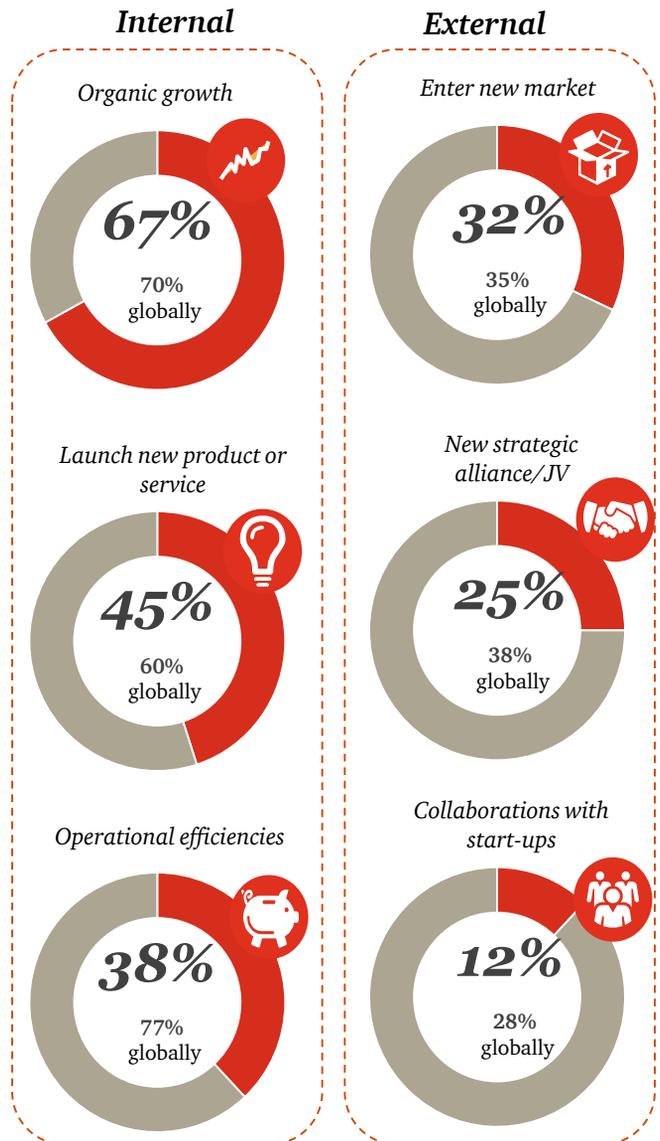
Which of the following activities, if any, are you planning in the next 12 months in order to drive revenue growth?

When asked about how they plan to drive revenue growth for their companies, CEOs seem to be looking *inwards* towards their own organizations rather than to the external business environment.

Albanian and global leaders diverge when it comes to the main activity of growth as organic growth is the dominating response in Albania (**67%**) while globally operational efficiencies seem to be the focus (**77%**), showing a different stage of business development.

A large portion of global CEOs (**60%**) will rely on launching a new product or service while this number is more conservative for Albania, with only **45%** of respondents planning new launches or service lines.

External opportunities such as M&As (**4%**) and collaborations with start-ups (**12%**) appear far less popular among Albanian CEOs compared to global and regional counterparts, reflecting the structure of the local market and poor enabling environment, where start-ups find it difficult to engage in strategic partnerships.



When asked about strategic goals, CEOs had a very clear view on how to enable them – **value creation for their customers**. Globally and in the CEE region having a clear vision on how to deliver value to customers was the primary enabler of strategic goals with **26%** and **27%** respectively. Albanian leaders appear to be even more customer focused with **38%** of the respondents that believe in having a clear vision in how they create value for customers.

The second most important activity was having a set of differentiating capabilities chosen by **14%** of Albanian leaders and **18%** globally. In line with that, strategic allocation of resources in order to fuel competitive advantage takes up the third place with **10%** of respondents in Albania.

Other strategic enablers for Albanian CEOs included bringing something unique to our customers (**14%**) as well as agility in pursuing new opportunities that emerge (**7%**).

Exhibit 4

Value creation and a clear vision are the main drivers of strategic goals globally, regionally and in Albania.

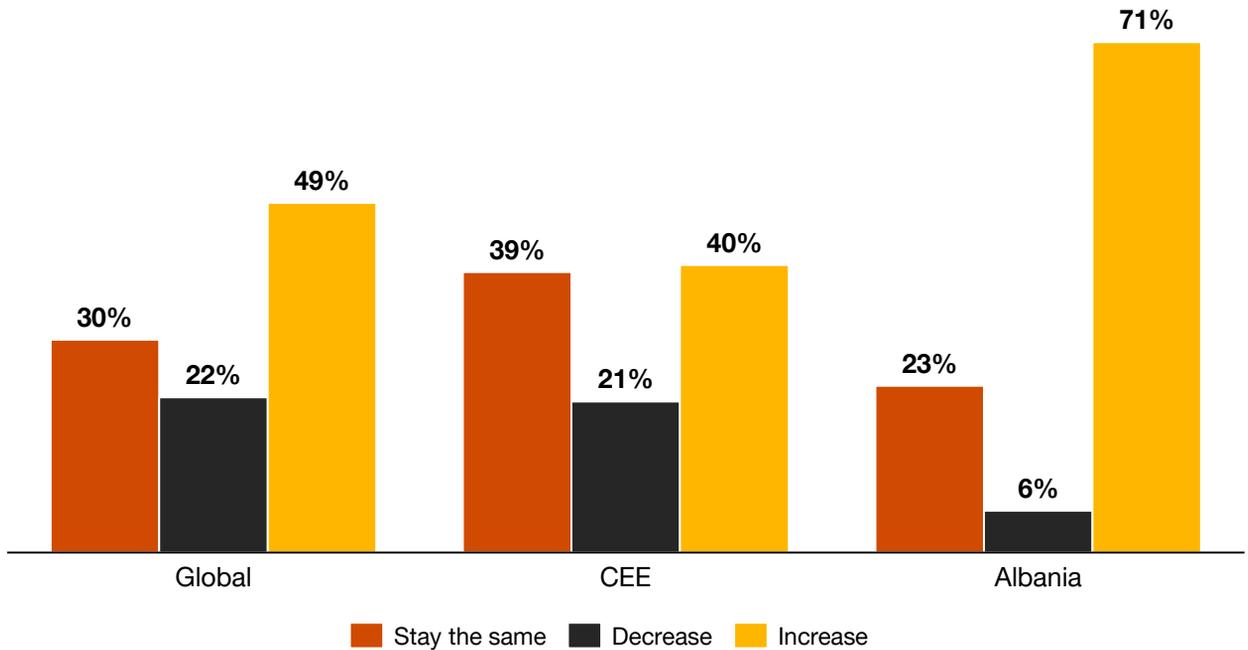
Which of the following statements do you believe most strongly enables your strategic goals?



Exhibit 5

CEOs appear eager to grow their headcount figures, even more so in Albania compared to the CEE region and globally.

Do you expect headcount at your organisation to increase, decrease or stay the same over the next 12 months?



Headcount planning by CEOs is a particularly important indicator that clearly reflects their outlook on the future of the global economy and their own organisations in particular. When it comes to global leaders, we observe a significant decrease in the percentage of those who plan increasing their headcounts (**49%**) from last years figures (**54%**). Business leaders in the CEE region are in line with global peers, even slightly less inclined towards growing their labour force numbers (**40%**).

Similarly to their opinions on the global economy, Albanian CEOs diverge from global leaders as they are far more adamant that the next 12 months will

bring growth, also in terms of headcount. **71%** of the executives are optimistic about their labor force numbers, continuing the upwards trend from the last two years. These results could spell good news for the Albanian economy and unemployment levels in the country.

71%

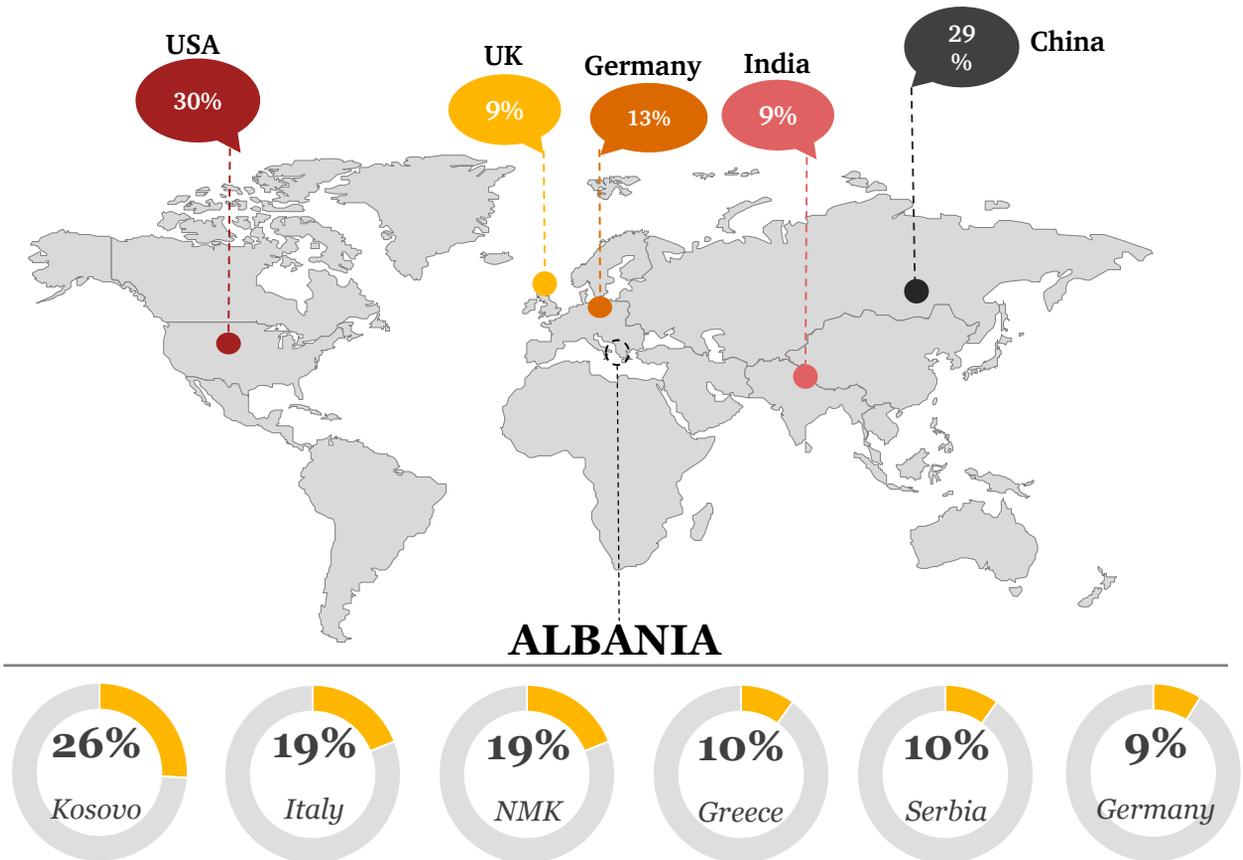
of Albanian executives expect the headcount in their organisation to increase in the next 12 months.

Exhibit 6

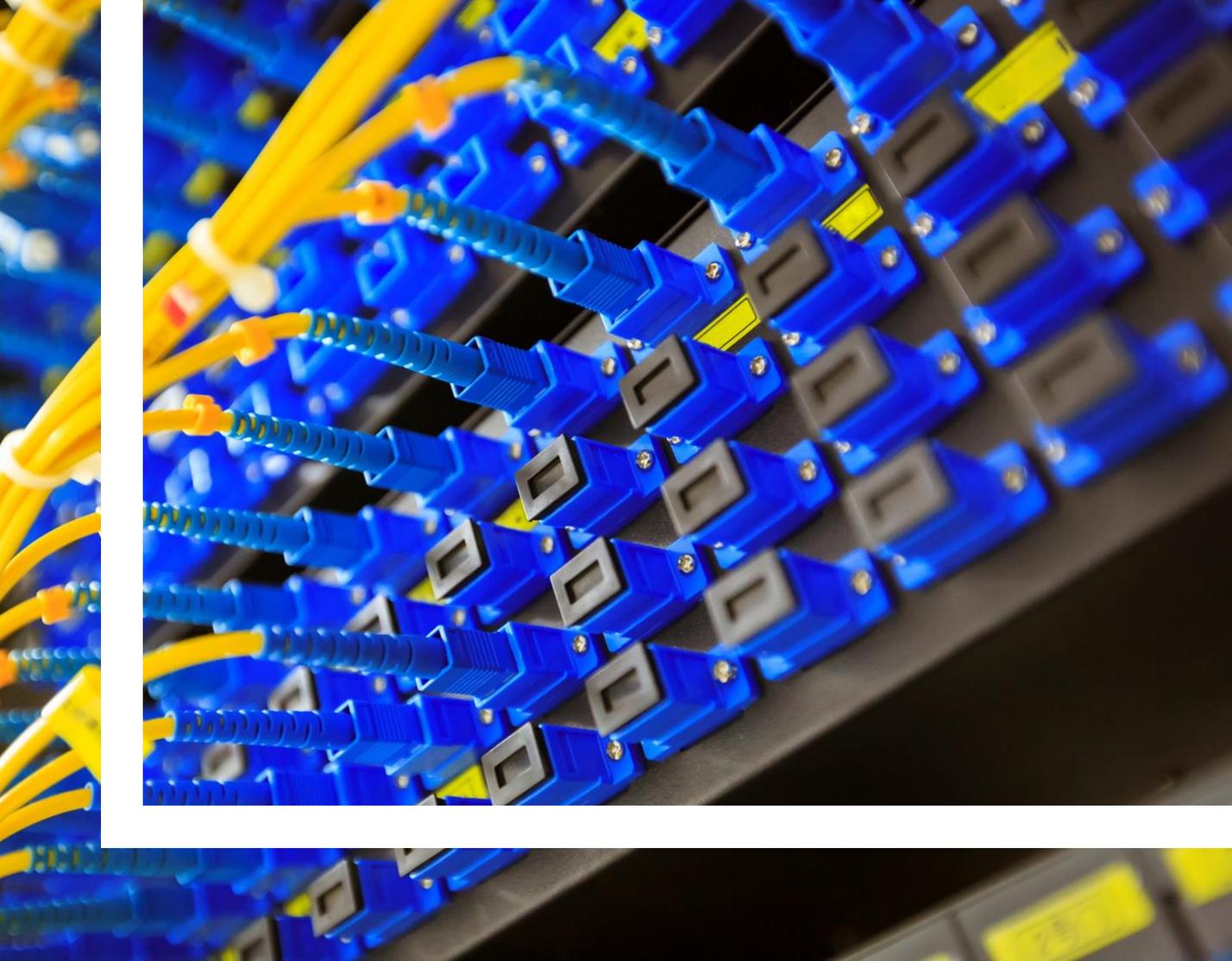
Gravitational factors continue to determine trade relations for Albanian firms, where proximity and cultural ties plays a key role.

Which three territories, excluding the territory in which you are based, do you consider most important for your organization's overall growth prospects over the next 12 months?

Foreign markets play a fundamental role when it comes to new opportunities for investments. The Top 5 still remain the same with no new entries. Unlike previous year, there is a slight growth for countries such as USA and China.



Every year geographical proximity seems to determine markets of growth for Albanian businesses. Compared to last year, Kosovo is considered the most important territory for organizations overall growth over the next 12 months (26%) by the Albanian business leaders. **In 2019, Kosovo participates for the first time as a territory in the survey.** Italy comes second but it dropped by 6%, while North Macedonia is also a new entry with 19% of answers. Greece has lost one position from last year's survey receiving only 10% of the quotes. The only country that has experienced growth, as the most important foreign market by Albanian business leaders, is Serbia holding 10%. On the other side, Germany has faced a significant loss by dropping from 17% to 9%. While the previous year USA ranked 4th, this year it received only 7% and is no longer in Top 6.



2

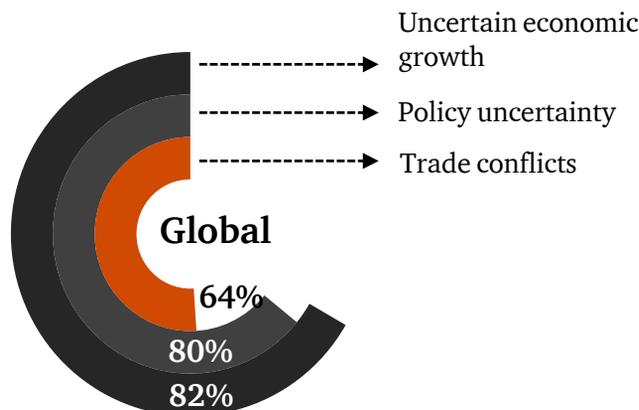
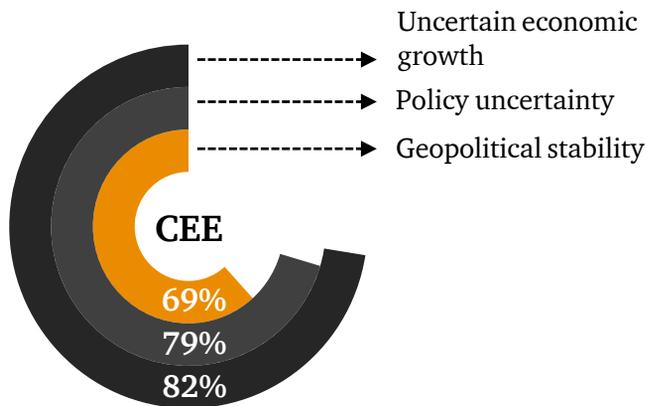
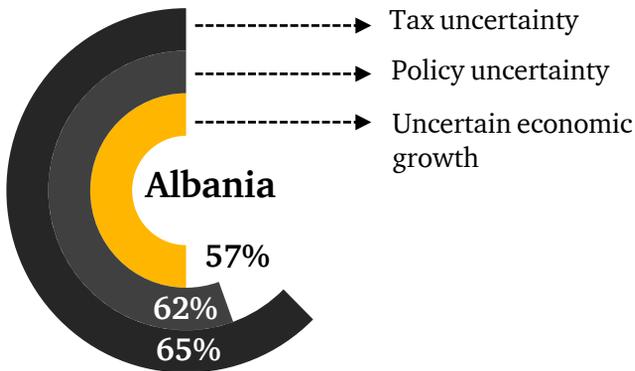


Setting Up Guard Rails in Cyberspace

Exhibit 7

Uncertain economic growth and policy uncertainty remain two of the key concerns in CEOs minds, both in Albania and globally.

How concerned are you with the following potential economic, policy, social, environmental and business threats to your organization's growth prospects?



This year local CEOs seem to be more concerned about tax uncertainty, as **65%** of them quoted this statement. Compared to last year they were most concerned about uncertain economic growth (**86%**), which has now fallen to third place with only **57%**. With a slight fall, **62%** of Albanian CEOs quoted the policy uncertainty as their second biggest concern, similarly to their regional peers.

CEOs operating in CEE region, are more concerned about uncertain economic growth, where **82%** of them quoted this as their major concern, followed by policy uncertainty with **79%**.

While Globally trade conflicts still remain one of the most concerned issues among CEOs.

65%
of Albanian executives are most concerned about fiscal uncertainty.

Exhibit 8

Albanian executives continue to be concerned about Tax and Labor Regulations while Data Privacy remain peripheral.

Q: Which areas of 'regulation' are you most EXTREMELY concerned about?

Albanian CEOs are most concerned about tax compliance (47%), followed by labor with 41%, industry-specific and trade with 35%. They are least concerned about consumer protection and immigration/global talent flows (18%). The CEE region is more concerned about data privacy and cybersecurity with 64% followed by industry-specific with 58%.

They are least concerned about trade with only 20%. In terms of Global analysis there seems to be the same trend as the CEE region except they are slightly more concerned about Industry-specific in the first place with 58% followed by Data privacy and cybersecurity with 54%. They are least concerned about immigration/global talent flows with only 21%.

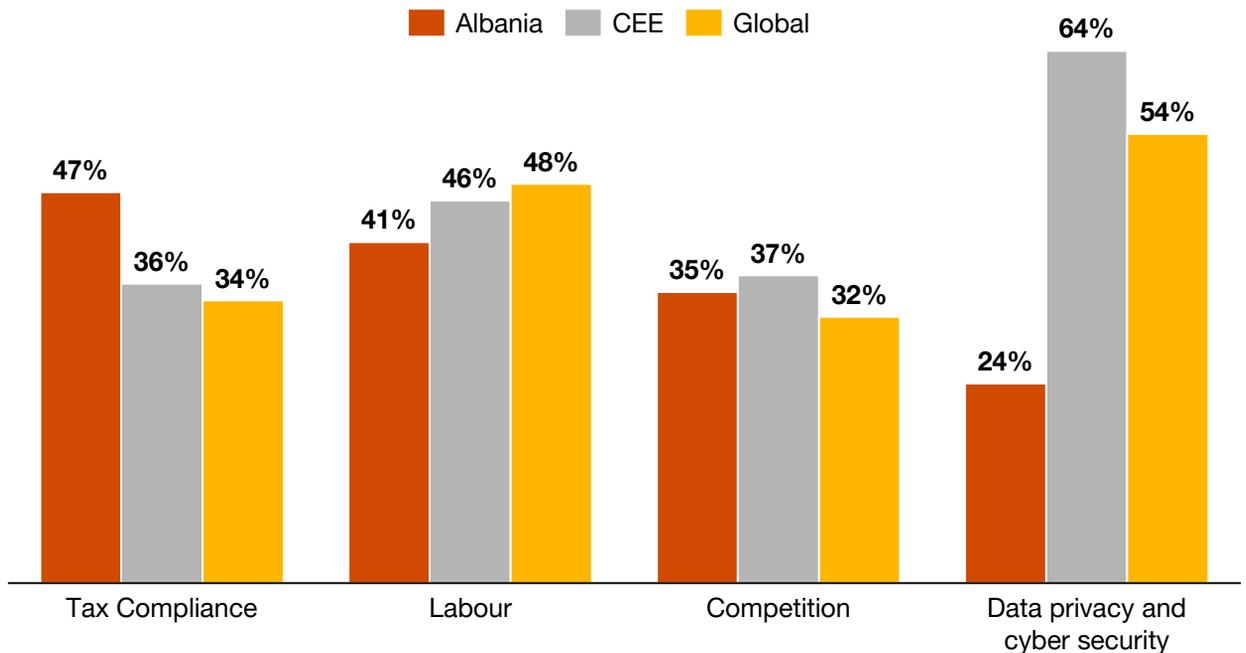


Exhibit 9

Trade conflicts are highly affecting how companies adjust their supply chain and sourcing strategies across all regions.

How are 'trade conflicts' affecting your operating model and growth strategy?

In order to prevent trade conflicts, **43%** of Albanian CEOs are adjusting their supply chain and sourcing strategy, being in the same line as their global peers. While they do not consider delaying foreign direct investment. Only **29%** of them think shifting production to alternative territories affects their operating model and growth strategy, nearly **10%** more than Global.

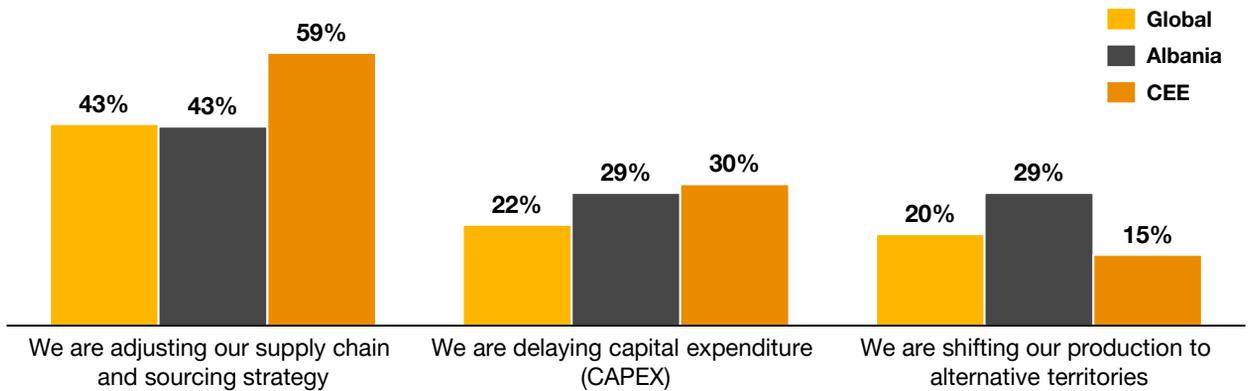
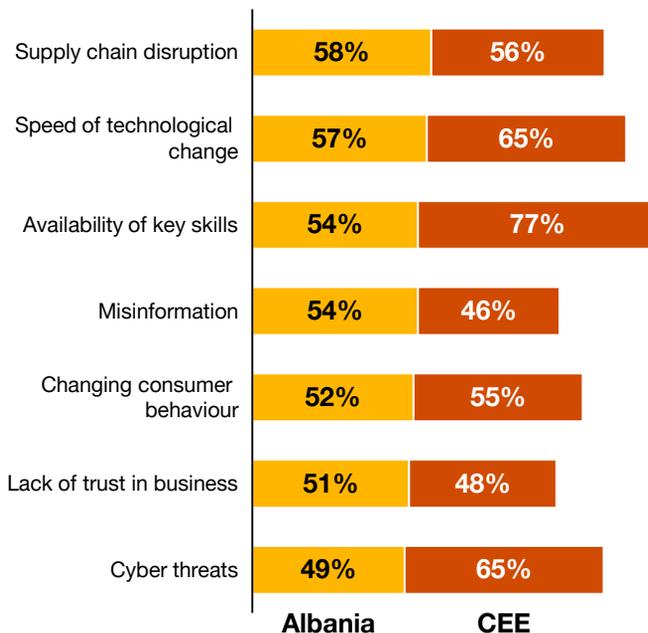


Exhibit 10

Supply chain disruption, speed of technological change and availability of key skills continue to torment Albanian CEOs.

How concerned are you, if at all, about...



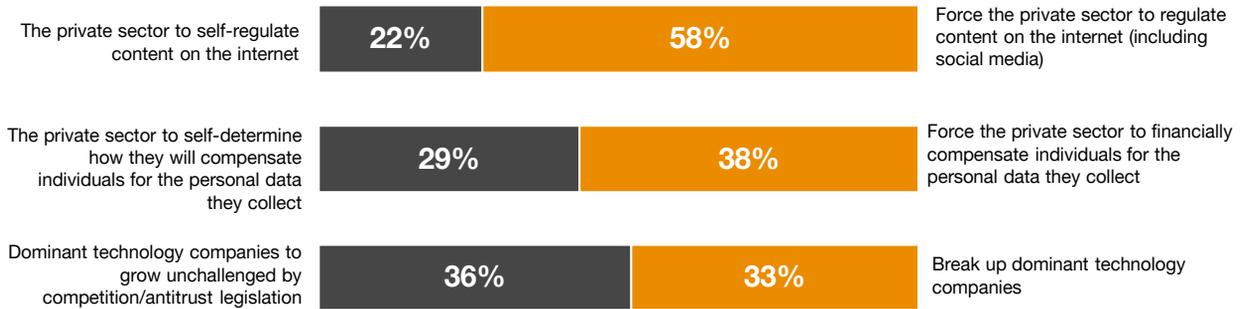
Supply chain disruption is almost the same in both Albania and CEE region. Albania business leaders used to be more concerned last year about availability of key skills workers with **77%**, while this year it dropped in **54%**. Nonetheless this is the main concern in the CEE region. While cyber security is an important concern in CEE, we cannot say the same about Albanian responses. As part of a fast changing technological world, both local and regional leaders are concerned about it. Albanian CEOs are less worried about volatile energy costs with only **22%**.

Exhibit 11

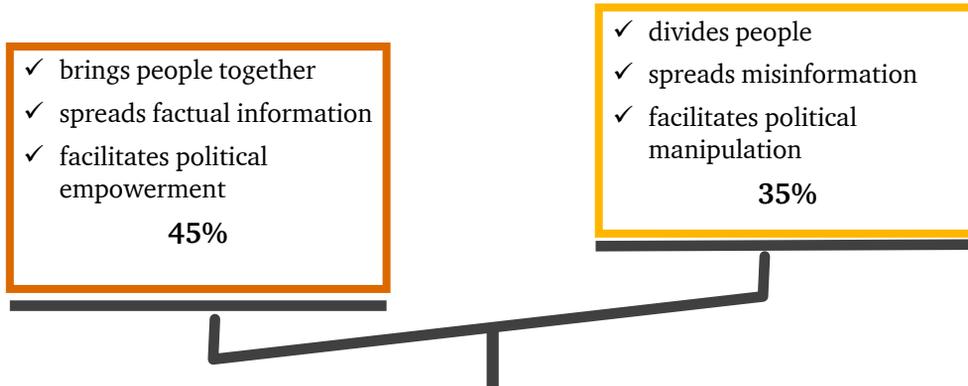
Envisaging the future of the tech space, CEOs in Albania and globally, foresee legislation on internet content, the breakup of 'Big Tech' and personal data compensation as key priorities to keep in focus

Governments will mostly continue to allow:

Governments will increasingly introduce legislation to:



The internet (including social media) will increasingly be seen as a platform that:



Albanian CEOs believe that in the years to come governments will increase their control, **58%** saying they will force the private sector to regulate internet content. Global CEOs agree, strongly so, as **71%** of them believe the same and as much as **73%** believe governments will increasingly use the data collected from citizens to determine access to social services, loans and other aspects of life. The internet, on the other hand, is seen as a platform that will bring people together and spread factual information

by **45%** of the CEOs in Albania and **51%** Globally but it's also expected to get more fractured locally and globally by **49%** and **50%** respectively, as governments apply their own legislation about content.

The contradiction in these opinions might hint to an uncertainty of CEOs about the future of the internet. The current frequent changes and introduction of new policies seem to prevent them from having a clear outlook on the issue.

Exhibit 12

Cybersecurity and digital privacy are the most important areas business and governments need to collaborate on according to CEOs in Albania, Globally and in CEE.

Which emerging technology areas are most important for business and government to collaborate on in order to build trust in society)?



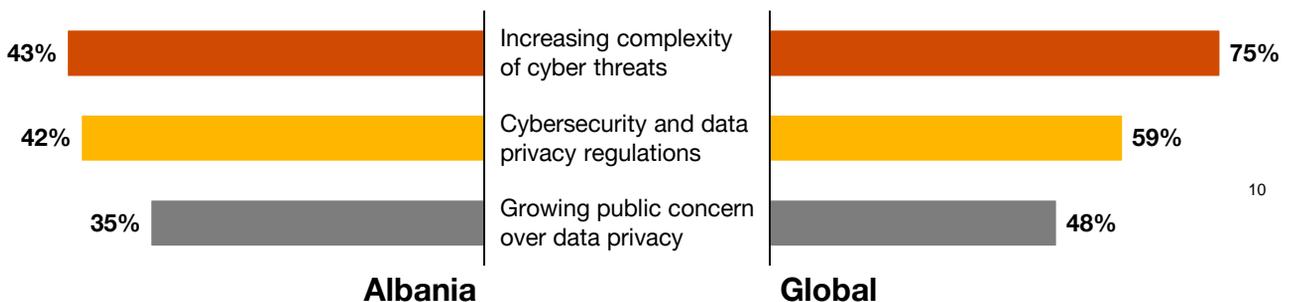
In today's technological world consumers are hesitant about sharing their data and consider their digital privacy evermore important and valuable. Personal data collected online makes up a large part of companies' databases but many data subjects are being reluctant to grant access to their data and are questioning the safety thereof. In order to build more trust in society, Albanian CEOs think that governments and businesses need

to mainly collaborate on areas as Digital Privacy, Cybersecurity and Artificial Intelligence to grow public confidence. These are also the three most important technology areas for governments and businesses to work on, report CEOs globally. While Albanian CEOs give Digital Privacy the highest priority, in global level Cybersecurity is more important.

Exhibit 13

While cybersecurity issues are the same for CEOs overall, in Albania they are far less concerned about these issues.

What key factors are having the greatest impact in shaping your cybersecurity strategy?



CEOs in Albania generally seem to be less concerned with cybersecurity and related issues as opposed to CEOs globally and in CEE. More than half of whom seem to feel impacted by the increasing complexity of cyber threats, cybersecurity and data privacy regulations. Those are also the top 2 issues for Albanian CEOs but the share of those Albanian CEOs who express a concern about any and every Cybersecurity issue is at least 27% lower than Globally with "vulnerabilities in supply chains and business partners" being an issue they almost totally do not consider.

3

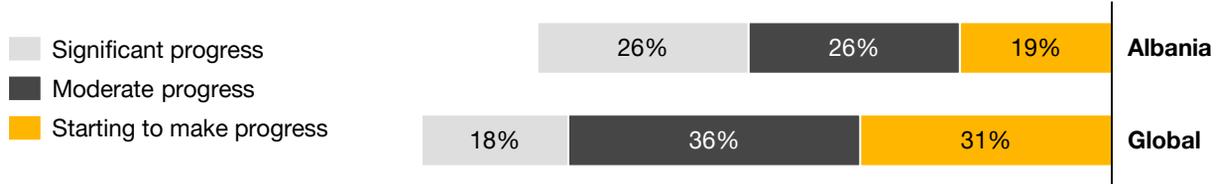
To Upskill or Not to Upskill, No Longer the Question



Exhibit 14

Albanian leaders are aware of the fundamental importance of Upskilling for value creation.

How much progress has your organization made in establishing an upskilling program that develops a mix of soft, technical and digital skills?



There is a correlation between economic optimism, revenue confidence and upskilling progress. Globally, CEOs who have embraced the potential of upskilling are realizing the rewards such as a stronger corporate culture, greater innovation, and higher workforce productivity

The main focus of the Albanian CEOs towards upskilling is to define the skills needed to drive their future growth strategy (**36%**). Both in country level and in global level business leaders find open communication on skills

on the future really valuable when it comes to upskilling.

26% of the organizations in Albania have already made significant progress in establishing upskilling programs that develop a mix of skills. In CEE and global level only **18%** have already made significant progress however **31%** are starting to make progress in upskilling programs. Business Leaders strongly believe and have started to make progress in improving their workers knowledge of technology.

First, you have to create a culture of learning. Investing in people and helping them continually develop their skills—that should be embedded in a company’s culture. That doesn’t just mean training people in what the company decides is important to them. At least a portion of the learning agenda should be based on what the individual chooses to learn about. The role of the company is to continually challenge and develop its people, starting at the top. In fact, I think the company has an obligation to do so.

-James Keane, CEO of Steelcase, US



Exhibit 15

Employee retention after upskilling efforts remains the number one concern for Albanian, regional and global leaders.

Please rank three greatest challenges your organization currently faces in its upskilling efforts.

Business leaders top three greatest challenges relate to retaining employees who have been upskilled (23%), followed by motivating employees to learn and apply their learning (20%) and a lack of resources to implement the upskilling programs they need (20%). The challenges are in line both in country level and global level.

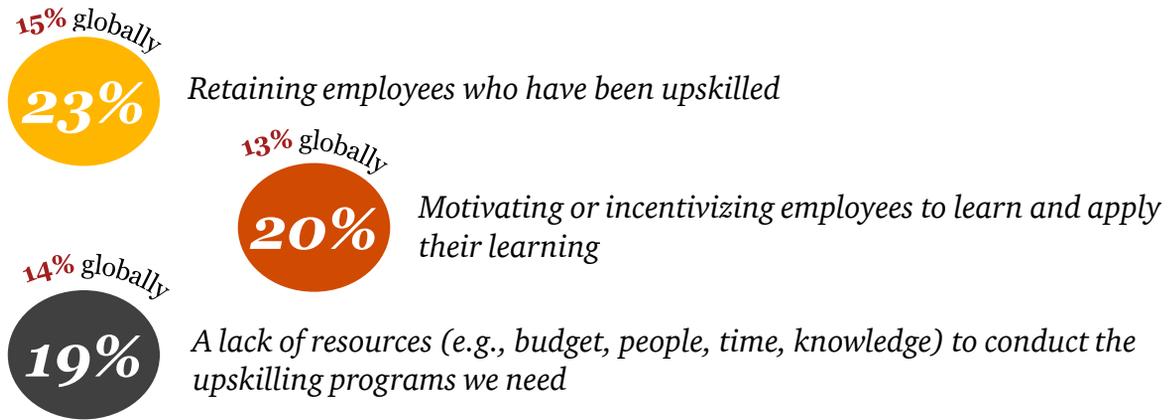
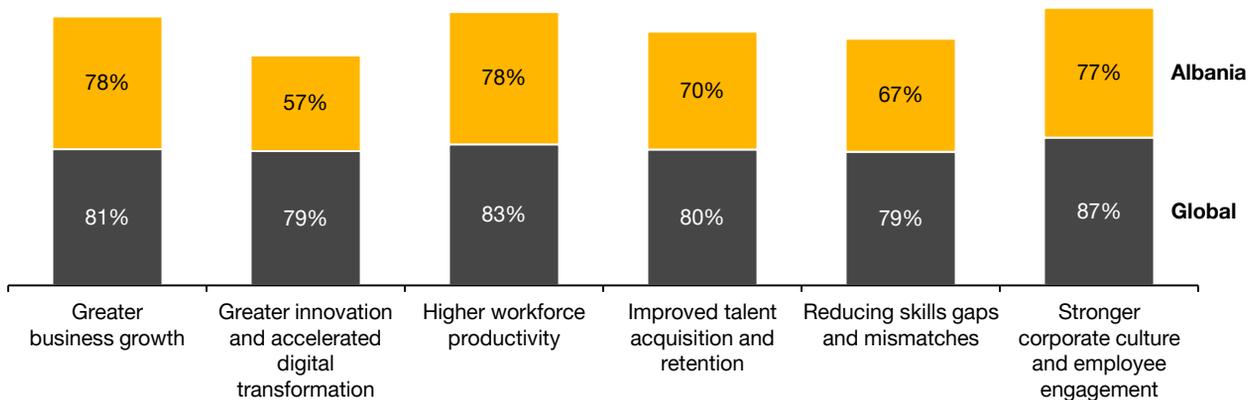


Exhibit 16

Organizations that have made significant investment in upskilling are realizing returns.

How effective are your upskilling programs in achieving the following outcomes?

Business leaders who have invested in upskilling programs for their employees have realized a greater business growth in Albania and global, 78.5% and 80.5% respectively. Compared to global levels, Albania is lacking behind greater innovation and accelerated digital transformation, which seems to be the least effective outcome of 57%. Stronger corporate culture and employee engagement remains one of the most effective outcomes in relation to upskilling.





4



Climate Change: An
Opportunity Cloaked in
Crisis

Exhibit 17

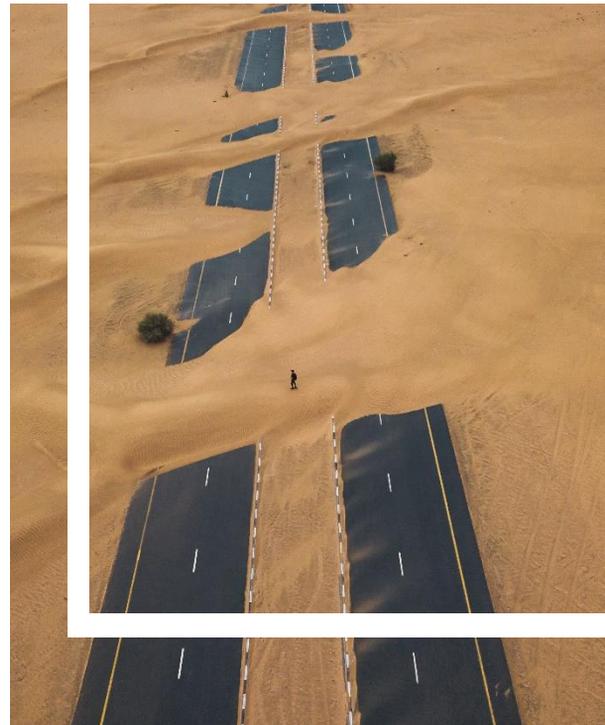
Compared to ten years ago, CEOs are more likely to recognize the benefits of investing in climate change initiatives.

How strongly do you agree or disagree with the following statements regarding climate change? (showing only 'strongly agree')

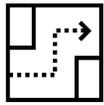


Compared to a decade ago, when we asked the same question, global chief executives are twice as likely to 'strongly agree' that investing in climate change initiatives will boost reputational advantage among key stakeholders, including employees (**30%** in 2020 compared with **16%** in 2010), and afford significant new product and service opportunities (**25%** in 2020 from **13%** in 2010). And nearly three times as many (**14%** in 2020 compared with **5%** in 2010) agree they see the benefit of government funds or financial incentives for 'green' investments.

**This year Albanian CEOs were asked for the first time on the climate change. The response is relatively low compared to global representatives.*



Key Findings



55% of Albanian business leaders are confident in global economic growth in the next year.



67% of Albanian CEOs are planning to increase revenues through *organic growth*.



Clear vision on how to create value is the main driver of strategic goals for **38%** of Albanian CEOs.



71% of executives plan on increasing the headcount in their organisation.



Kosovo is considered the main territory for growth prospects by **26%** of business leaders.





PwC Albania

Str. "Ibrahim Rugova",
Sky Tower, 9/1 floor,
Tirana, Albania
www.pwc.com/al



pwc

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with over 276,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.